Testimony of
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"Diplomacy in Latin America"

Mr. Chairman and Members of the Committee:

It is a pleasure to appear before you today to discuss United States diplomacy in Latin America – and more specifically how the Department of State is using the diplomatic tools at its disposal to advance our strategic, political, economic and trade interests in the Western Hemisphere.

The basis for United States policy in the Western Hemisphere can be summed up in one word: freedom. We aim to help the countries of Latin America and the Caribbean consolidate the impressive democratic gains they have made over the last two decades and to extend political power and economic opportunity to everyone, particularly the very poor. Our policy is anchored by four strategic pillars: strengthening democratic institutions, promoting prosperity, investing in people and bolstering security. We want to help countries that are prepared to help themselves and are willing to make the difficult decisions that will lead to truly open political systems and open economies. We are prepared to work with any country truly interested in strengthening its political institutions to encourage responsible policies and retooling its economy to take advantage of trade opportunities.

As a way of illustrating our approach and demonstrating its effectiveness, I would like to go through some concrete examples of diplomatic challenges that we have faced in the last few years and describe how we responded through bilateral and multilateral channels. I would like to stress that these are illustrative examples of the diplomatic efforts we carry out in the hemisphere on a daily basis and not an exhaustive list. As with most issues in the international sphere, there is no final conclusion to report. However, I believe in all cases we have significantly advanced U.S.

interests, even where the results to date may be less than we would have hoped.

Diplomacy – in particular, multilateral diplomacy – is hard work. To succeed, one needs to understand not only one's own country's objectives and motivations but those of each and every other country involved in the process. In the OAS, multilateral diplomacy is further complicated by the commitment to work by consensus. We have to negotiate every comma with every country. While there is an expectation and a need for U.S. leadership on most issues, we must be careful not to overplay our hand, lest our role become an issue in the negotiations underway. Empathy – knowing what others want and need – is an essential element in diplomacy. It is certainly better to pursue and achieve our goals without making other countries unhappy, but we cannot always do so. In cases where there is simply no convergence of interests or values – such as with Cuba today – our diplomacy has a hard edge. There, as in all cases, our diplomacy should be evaluated against the desired outcome and the obstacles we must overcome to achieve it.

Free Trade with Central America and the Dominican Republic

Formation of a Free Trade Agreement with Central America and the Dominican Republic has been one of our top diplomatic priorities the last two and a half years. We believe that the elimination of trade barriers can be a transformative process for societies. By stimulating growth, making economic decision-making more transparent and opening new economic opportunities for workers, farmers and businesses, free trade not only increases prosperity but also strengthens democracy. It also enhances our security here in the United States. Crushing poverty is one of the root causes of political instability, migration and crime in Central America and the Dominican Republic. It is better to attack these problems at their source than to have to deal with them when they reach our shores through illegal immigration, the drug trade or terrorism.

The CAFTA-DR Agreement is not only a good thing for our neighbors; it's a good thing for us. How we achieved this Agreement, moreover, is a good example of our diplomatic process.

First, we emphasized a multilateral negotiating structure, while providing opportunities for bilateral negotiations to address the specific

needs of each individual country. The CAFTA-DR will set up a single Free Trade Area with common rules for all six countries. At the same time, we consulted individually with each of our partners and tailored the agreement to provide additional time or to modify some specific provisions when needed to secure the agreement of an individual country.

Second, we encouraged consultation with the private sector and civil society groups. In the U.S., we have established consultative arrangements between the Executive, the Congress, and a number of private sector groups. During the CAFTA-DR negotiations, we encouraged the other countries to set up similar arrangements to inform the negotiating process and explain the agreement to their citizens.

Third, we recognized their need for technical and financial assistance to meet the free trade objectives. We formed a Trade Capacity Building Committee to coordinate assistance aimed at improving their ability to implement the obligations of CAFTA-DR and to adjust their economies to free trade. In FY 2004, we are providing more than $50 million from all U.S. government agencies for these purposes.

Finally, we made sure that this sub-regional agreement was consistent with our hemispheric and global policies. CAFTA-DR is fully consistent with the rules of the World Trade Organization and with our objectives in the current WTO negotiations, known commonly as the Doha Development Round. CAFTA-DR is an integral part of our strategy of moving toward a freer world trading system through complementary trade agreements on a bilateral basis (such as the US-Chile Free Trade Agreement and the negotiations underway with Panama), and on a regional and hemispheric basis (such as the negotiations underway with the Andean countries and for a Free Trade Area of the Americas).

A Security Emphasis in Colombia

In Colombia, U.S. diplomacy is clearly focused on advancing our security interests, among other issues. Colombia is one of our strongest allies in the region. Despite conducting a multi-front campaign against narcotics traffickers and terrorists, Colombia has remained a vibrant democracy and a force for progress and stability in the Andes, serving as an important counterweight to less positive trends in the region.

Our two countries face similar threats. The illegal drug trade claims victims, whether in Cali or Chicago. Both our countries are fighting terrorism, at the cost of American and Colombian lives lost or liberties stolen, including three American contractors held hostage by the FARC since February 2003.

Despite these threats, Colombia is remaking itself. As members of this committee have observed first hand, Colombia has made remarkable progress in recent years, under the leadership of President Uribe. Internal security is greatly improved. Drug crop eradication, narcotics interdiction, related arrests and extraditions are at record levels. FARC terrorists are on the defensive, ELN terrorists have been isolated and paramilitaries are laying down their arms. In addition to wresting territory back from narco-terrorists, the government is strengthening its democratic institutions, promoting respect for human rights and rule of law, fostering socio-economic development and addressing humanitarian needs. The result is a more peaceful and prosperous ally; this is clearly in the U.S. interest.

U.S. diplomacy plays an important supporting role in this effort, but not just in a conventional sense. We don't just talk to the Colombians (although that is important, as in this month's FTA negotiations or in last week's discussions with the vice president and foreign minister on human rights issues), we work with them, whether training prosecutors, judges and police investigators (Department of Justice); or managing alternative development projects (USAID); or advising counterterrorist units (Department of Defense) or spraying coca crops (Department of State). Our partnership is helping to transform Colombia.

Economic Diplomacy in Uruguay

Uruguay had a solid record of market-oriented economic policies in 2002 when the financial crisis in Argentina directly contributed to a bank run. The Treasury Department maintained close contact with the Uruguayan Government and IMF officials during the first half of 2002, tracking the decline in deposits and assisting in formulation of a response to it. Initially, Uruguay drew on its existing IMF program, and a new IMF program was launched in March and augmented in June. When it became clear in early summer that these measures would not be sufficient to bolster public confidence, Treasury began a series of intensive meetings with

Uruguayan and IMF officials to develop a strategy for addressing the bank run decisively.

As a result, the United States joined with the IMF in supporting the Government of Uruguay's plan to fully back dollar checking and savings deposits while reprogramming dollar time deposits. The deposit guarantee plan was financed with additional funds from the IMF, World Bank and Inter-American Development Bank. The Government of Uruguay also determined that it would suspend the operations of four private domestic banks. To assist the banking system until the multilateral assistance could be disbursed, the U.S. Treasury provided a short-term $1.5 billion loan to the Government of Uruguay. The loan was repaid within one week.

These interventions – the result of sustained close coordination between the Treasury Department, IMF, the State Department, our Embassy in Montevideo and Uruguayan officials – combined with fiscally responsible policies of the Government of Uruguay helped the country avert a possible collapse of its banking system and default. In 2004, two years after the onset of the financial crisis and one year after a successful debt restructuring, Uruguay enjoyed real GDP growth of 12.3%.

Political Upheaval in Ecuador, Bolivia and Venezuela

A recurring theme in our relations with Latin America – and part and parcel of our support for democratic governance -- is how to respond to threats to the constitutional order. Our policy in such situations is to seek authoritative information on what is required under domestic law and to urge all parties to work within those constraints, utilizing both bilateral and multilateral channels of communication. Ecuador and Venezuela both illustrate how difficult this can be when the institutional structure is weak, nontransparent, and subject to manipulation by elites.

This past April 20, the Ecuadorian Congress, acting with less than a quorum of members of the opposition, dismissed the Supreme Court and President Lucio Gutierrez and then swore in Vice President Alfredo Palacio as his successor. They claimed that, under the Constitution, they had sufficient votes to dismiss the president for abandonment, even though no actual abandonment of the post was evident. This action followed months of charges and countercharges among the political parties related to Congress' dismissal of the Supreme Court in December and subsequent actions of the

new Court, rioting in the street, and the declaration by President Gutierrez of a brief state of exception.

While the situation was still fluid, we reached out to President Palacio and all sectors of Ecuadorian society to resolve the political crisis and restore the rule of law. We mobilized other countries in the region and within the European Union to help stabilize the situation and supported a special mission led by the Secretary General of the OAS to help the Government of Ecuador strengthen its constitutional processes. The OAS, working with the government, remains engaged in efforts to restore and strengthen the institutions of democracy in Ecuador. While the lack of a functioning Supreme Court remains a serious concern, the Congress and Executive Branch are generally functioning at this time. There is no more rioting. The international community has offered assistance to resolve the impasse over the naming of a new Court, and we remain hopeful that progress will continue to be made on other matters of public policy – reducing polarization so that the question of the Court can also be resolved in due course.

Like Ecuador, Bolivia has just experienced an unscheduled transition in government, but for different reasons. In June, President Carlos Mesa stepped down amid violent public protests and road blockages reflecting the political polarization of the country. The country remains deeply divided over how to exploit the country's vast natural resources, how to include the aspirations of the indigenous people within its democratic framework, and how to address regional calls for autonomy. We remain engaged bilaterally and multilaterally with the Government of Bolivia, now led by interim President Eduardo Rodriguez, who is committed to putting the country back on a path toward strengthening democratic institutions, beginning with national elections later this year.

In Venezuela, the United States worked intensively to facilitate reconciliation between the opposition and Chavez government from the temporary interruption in democratic governance in April 2002 to the August 2004 referendum. The referendum process focused international attention on the declining state of democracy in Venezuela and limited President Chavez's ability to curtail individual freedoms. Since August 2004, we have witnessed an increased concentration of power in the Executive, the packing of the Supreme Court, enactment of legislation

curbing press freedom and civil rights, and the persecution of civil society, most notably the electoral watchdog organization Sumate.

The United States has led the international community in calling attention to these and other issues that have arisen – both through the OAS and through bilateral engagement within the hemisphere and with our European friends. While many share our concerns, other countries have been less inclined to speak out, preferring quiet diplomacy. Thus, sometimes alone and at other times in the company of international nongovernmental organizations, we have spoken out on threats to freedom of the press, packing of the Supreme Court, harassment of Sumate, the purchase of 100,000 AKM Russian assault rifles, and other noteworthy issues. We are also encouraging the OAS and the European Union to send observers and experts to evaluate electoral conditions in advance of the December National Assembly elections.

We will continue to speak out on these issues, as warranted, as well as to voice our concerns privately to Venezuelan officials. During the past year, however, our access to senior Venezuelan officials has been limited, and this lack of access is having a chilling effect on our working level contacts as well. Thus, for the foreseeable future, our diplomatic efforts in Venezuela will aim primarily at influencing events through public statements and private contacts with other governments and organizations dealing directly with the Government of Venezuela.

Security and Prosperity Partnership of North America

A special relationship continues to evolve with Mexico and Canada that increasingly addresses security along with the trade and related issues covered by NAFTA. On March 23, President Bush joined President Fox and Prime Minister Martin in launching the Security and Prosperity Partnership of North America (SPP). The SPP is intended to develop new avenues of cooperation that will make our open societies safer and more secure, our business more competitive, and our economies more resilient. It is based on the principle that security and prosperity are mutually dependent and complementary. The prosperity pillar seeks to enhance North American competitiveness through improved productivity, reducing the costs of trade and enhancing environmental stewardship. The security pillar confronts external threats, prevents and responds to threats within North America and facilitates the flow of traffic across borders.

Thus far, we have identified over 300 initiatives spread over twenty trilateral working groups on which the three countries will collaborate. Ongoing bilateral initiatives – such as the "smart border" programs with both Mexico and Canada – will be incorporated into this broader framework, giving greater cohesion to our overall border security program. Assistance to Mexico provided through the Bureau of International Narcotics and Law Enforcement Affairs is a significant part of our bilateral relationship with Mexico.

Cuba: A Different Challenge

In Cuba, the only country in the hemisphere without a democratic government or an open economy, we are actively engaged in helping the peaceful opposition create a democratic future. Our support is similar to what we have provided to civil society groups in Serbia, Georgia, Ukraine, and other repressive societies throughout the world. In contrast to other countries that insist on trying to hold a dialogue with the Government of Cuba, which has no desire to reform, we have chosen to work with the Cuban people instead. They will ultimately determine Cuba's future.

To hasten the day of Cuba's emergence from tyranny, the Commission on Assistance to a Free Cuba recommended a comprehensive approach, pairing more substantial support to the opposition with measures to limit the regime's manipulation of humanitarian policies and to undermine its survival. We are providing $8.9 million this year and are requesting another $15 million next year to implement the Commission recommendations. Through this assistance, we aim to ensure that, when change comes to Cuba, it will be a transition to democracy and not the succession in kind being planned by the regime.

As these examples illustrate, we have an active diplomacy – on both bilateral and multilateral fronts – that addresses the specific challenges and opportunities as they arise in different countries. We are helping countries willing to help themselves to develop their human resources, sustain and strengthen democratic institutions and open economic systems, and protect their people and way of life from organized crime and other multinational threats. This approach requires mature relations with other governments as partners, based on shared values. While there is broad agreement in the Hemisphere on the values we share – they have been articulated repeatedly

at Summits of the Americas – the practical challenges to their implementation are great. Our diplomacy often deals with those challenges and may not achieve the desired results in the short term. However, we are determined to stay the course and help other countries, where possible and as appropriate, achieve for their people the full benefits of the same freedoms we have long enjoyed in the United States.

I would be pleased to take your questions, about the issues I have addressed or any others. Thank you for your attention.